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September 25, 1943

MEMORANDUM

TO: General William J. Donovan
FROM: Frank T. Ryan

In making a review of my stay in Spain, from the middle of February until the end of August 1943, it has been suggested that I endeavor to make my report as detailed as possible, in order that some light might be shed on Ambassador Hayes and his antipathy toward the Spanish organization of the Office of Strategic Services. I therefore wish to commence this report by quoting from a letter I wrote from Madrid to Mr. Mayer on March 11, 1943, as follows:

"There is no doubt that the "wounds" which were inflicted on the sensitiveness of the Ambassador and Beaulac (Counselor), in the first months of O.S.S. representation, have not entirely healed. It did not take me long after visiting with the Ambassador and with Beaulac, particularly the latter, to perceive their general attitude of disdain for O.S.S., their personnel, and their activities. It is a point of view which they have acquired over a period of months and it may require an additional period before it is entirely overcome. It is my general belief after having contacted them on various occasions since being in Madrid that our relations with the Embassy must be conducted politely but firmly."

Again, on June 21st, I wrote from Madrid as follows:

"I am satisfied in my own mind that the real root of our trouble here is represented in Beaulac, the Counselor, who seems to exert a great deal of influence over the Ambassador. Unless and until he is removed we shall always have troubled waters to navigate through. He is a born mischief maker and I am sure he delights in the annoyances that he can create. . ."

Also in this same letter of June 21st I wrote:

"This merely indicates again the necessity that the Ambassador receive instructions worded in no uncertain

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W.W. 13059-1

terms that the S.I. work being done in Spain must be continued without interference, without interruption and without censorship.

" . . . I repeat our maximum efficiency over here can only be obtained if we are free to carry on our activities under the directives from Washington without the kind of supervision which the Embassy wishes to exercise over our operations."

An incident occurred approximately two weeks after my arrival in Madrid, which I wish to relate in detail, as I consider it a typical example of the lack of frankness and forthrightness on the part of the Ambassador and his Counselor, Mr. Beaulac. This characteristic of the Ambassador's still persists, and mention will be made later of current examples that took place in the week of September 13th. The incident in question is as follows:

At the time of my first meeting and conversation with Mr. Beaulac, the day following my arrival in Spain (about February 23rd), he reviewed at some length the shortcomings and failures of the former O.S.S. head in Spain, Francis di Lucia. In great detail he went into various incidents and happenings, all of which were considered in a most unfavorable light by the Ambassador and himself, and which subsequently led to a request to the State Department that di Lucia be recalled. Their request was in time acted upon, and di Lucia was transferred to Lisbon. After listening to the strong indictments which Mr. Beaulac was making against di Lucia, I went on to say that since di Lucia's arrival in Lisbon, several months previous, he had been doing good work, and that the home office was pleased with what he was able to accomplish in Lisbon. I pointed out that it was not easy for an O.S.S. representative to go into new territory and obtain the results which di Lucia seemed to be getting in Lisbon within such a short time.

As an example of how he "got around" Lisbon, I mentioned that about ten days ago a rather prominent visiting American was passing through Lisbon en route to London. He called on the Minister (Mr. Fish) and inquired if the Minister might be able to arrange a meeting for him with Dr. Salazar. The Minister declined the suggestion, pointing out that there were so many Americans passing through Lisbon, including newspaper men, etc., who would like an opportunity of meeting Salazar, that he had fixed it as a matter of policy to decline such requests. The visiting American later that same day met di Lucia, and explained to him his keen interest in meeting

W.W 13059 - 2

Dr. Salazar. Di Lucia volunteered the suggestion that he might be able to arrange such an appointment. The upshot of the effort was that the visiting American was in Dr. Salazar's residence at 10 o'clock that night. Di Lucia was present as an interpreter. At this point in the conversation, I was interrupted by Mr. Beaulac, who inquired if I approved of such action on di Lucia's part. I replied without hesitation;

"Of course I do not approve - I am merely citing it as an example of how di Lucia gets around in Lisbon. I realize that in such matters protocol must be followed. Di Lucia, being attached to the Legation Staff, should have obtained permission from the Minister. In fact, di Lucia realized that he had probably taken on himself undue responsibility, for he presented himself to the Minister the following morning, explaining what he had done the evening before, and remarked to the Minister that 'he had his bags packed' if the Minister wished to send him home because of the incident."

The conversation with Mr. Beaulac then continued on other subjects and was cordially concluded.

About two weeks later, approximately March 10th, I returned to Lisbon, taking the Spanish airplane from Madrid. It so happened that the Ambassador was also a passenger on the same plane. We visited going over, and at the airport in Lisbon the Ambassador was met by Mr. Fish, the American Minister.

Three days later, when I was making a courtesy call on the Minister, he confronted me with a longhand statement, reading to the effect that I had declared to Mr. Beaulac the great success that our representative Mr. di Lucia was having in Lisbon, that he had ready access to Salazar, and could arrange appointments at will, that the Minister was not an important official, that di Lucia was the one who was running affairs in Lisbon. In other words, I was "boasting" at the expense of the Minister of what a great representative we had in Lisbon. The Minister quite properly was not only upset but incensed that di Lucia should be landed in such a fashion at his expense.

I was shocked at such deliberate and treacherous misstatements of facts being contained in Beaulac's memorandum to the Minister. I related to the Minister the actual conversation with Mr. Beaulac, as outlined above. He was relieved at my reassurances, and inferred that it was not the first time that the Madrid Embassy had endeavored to interfere with Legation matters and

CSW 13059-3

cause "trouble". I told him that immediately upon my return to Madrid I would see the Ambassador and Mr. Beaulac. I thanked him sincerely for his gentlemanliness in personally confronting me with the statement, that I was most appreciative of it, as it afforded me an opportunity of answering directly the accusation being directed against me, and to confront my accusers with their erroneous statements.

Upon my return to Madrid the following day, I telephoned the Ambassador and requested a meeting with him and Mr. Beaulac, which was promptly granted. I entered the Ambassador's office and informed him that I was coming in to do some very "plain talking". I went on to describe the visit I had with the Minister, when he confronted me with the longhand statement given to him by the Ambassador, and written by Mr. Beaulac. Beaulac denied that he had misquoted me, on the grounds that he had been trained as a diplomat for 23 years to remember conversations, and therefore it would be quite impossible for him to forget one. I replied that over a period of 23 years no one could be infallible, and in this particular case a mistake in properly recalling a conversation had been made.

I suggested that, in order to safeguard his personal reputation and integrity with the Minister, he write him a note explaining that perhaps he had misinterpreted my conversation on the Salazar-di Lucia incident. This of course he refused to do, insisting that he had the right to write reports, memoranda, letters, etc., to whomsoever he wished without prior consultation with me. On this point I agreed with him entirely, but I was obliged to warn him that if, in the future, he had occasion to write reports or memoranda about me personally, that he take great care not to misquote or misinterpret me, as, frankly, I did not like it. I further pointed out that it appeared to me to be a deliberate attempt to undermine me personally, and what was more important, to undermine the C.S.I. as an organization.

The conversation concluded by my stating that, while some plain talking had been indulged in on my part, I expected and desired that if at any time he or the Ambassador had any complaints to make about me or the organization, they speak with equal candidness to me.

It so happened that Jack Pratt (Silky) was present in Mr. Beaulac's office at the time I was having the conversation with him on the Salazar-di Lucia appointment. He confirms my expression of disfavor on di Lucia's having arranged the appointment with Dr. Salazar. The following day, while visiting with the Ambassador on other matters, I pointed out the fact that Jack Pratt was a witness to my version of the conversation, and if he was interested

in having Pratt confirm it to him, he could request him to do so. Pratt was never asked to confirm my statements.

This was the beginning of a certain feeling of distrust on my part in Beaulac and the Ambassador. It seemed to me that if the Ambassador were serious of maintaining friendly relations with the O.S.S. organization and its newly arrived representative, that he might have had the frankness to question me on the subject of the Salazar-di Lucia incident. For two whole hours on the plane en route to Lisbon he had in his pocket a document concerning alleged statements that I had made, and yet he did not have the courtesy to confront me with them. What a contrast to the gentlemanly, frank procedure of the Minister in Lisbon.

As for Beaulac, his treacherous effort to discredit me in my very first conversation with him was sufficient reason for me to lose confidence in him. This opinion was especially strengthened, as time passed in Madrid, when reports and incidents of his devious ways of causing trouble were recounted to me. He was genuinely disliked by members of the American Embassy and by other American agencies operating under the patronage of the Embassy. Moreover, Spaniards are frank in their criticism of him, and fail to understand why the State Department, with so many able men in their organization, permit a man of Beaulac's character to remain in Madrid.

Another incident, which took place, indicating the Ambassador's reluctance to talk openly and frankly to me, occurred several days after my arrival. I casually mentioned to him that I had brought over some nylon stockings which were being held at the Spanish Customs House, and would like a letter from the Ambassador requesting their release as diplomatic merchandise. This he readily and graciously consented to do. I mentioned in passing that I had brought them over as a present to Mrs. Franco. He made no comment at the time. Some weeks later, however, I learned that he included in a report a criticism of me for giving silk stockings to the wife of the Chief of State. Again, had the Ambassador taken the trouble to question me about the propriety of such a present, I could have informed him that my contacts with the Franco Government dated back to 1936, and that it was not the first time that I had given Mrs. Franco stockings and other presents. I could have informed him that I have been the only American ever to be in the private living quarters of General Franco and his family at his palace in Prado, some eight miles from Madrid. My arrival in February empty-handed, without some gift of remembrance for Mrs. Franco, might have occasioned more wonderment than continuing my usual custom.

The difficulties with the Ambassador, culminating in his cable #2671, September 20, 1943, with the recommendation that O.S.S. terminate its operations in Spain, really commenced in a serious way at the end of the African campaign. Spain at that time was alive with rumors as to where and when the Allies intended striking next. Many of these rumors had Spain or some of its island possessions included as being in the line of march. During that period the Ambassador, on one occasion specifically, requested of me that no information of a military nature be gathered on Spain. He requested us to concentrate our efforts, during what he called this "tension period", on penetrating France,

counter-espionage information, merchandise movements, etc.

At about this same time we encountered our police difficulties in Barcelona, which you will recall resulted in four or five arrests of one of the Spanish chains operated by 303. This incident resulted in 303 leaving the country, and the successful clandestine escape to Africa of the principal Spanish contact in this chain. This Spanish agent was reported sentenced to death by the military tribunal in Barcelona. As this agent was an employee of the Consulate in Barcelona, there followed police questioning of several employees of the Consulate. These police difficulties in Barcelona caused the Ambassador's apprehension to grow. About two weeks later, one of Elliot's sub-agents in the Bilbao area was arrested. The American Consul at Bilbao, in a report to the Ambassador, expressed concern over this arrest, lest it should lead to the Consulate's becoming involved, or at least embarrassed.

These arrests coming at short intervals only increased the Ambassador's alarm and anxiety. What appeared to be special vigilance by the police against Americans may be attributed to the general nervousness which prevailed throughout Spain that the Allies had "designs" on Spanish territory, or even the opening of a second front via Spain.

To explain the Ambassador's state of mind during this period, it must be said that he felt that the spring months of 1943 presented a particularly critical time in the relationship of the United States and Spain. Franco, so to speak, was walking a tight rope, and any incident, however small, that would be liable to cause Spain to topple into the hands of the Axis must at all costs be avoided. He therefore desired to control and regulate in a detailed way the policy of the various American agencies that were operating in Spain under the jurisdiction of the Embassy.

As a result of the Ambassador's desire to prevent any untoward incident from happening that would disturb the diplomatic relationship between Spain and our Government, he made certain requests of me in connection with our operations. Among them I cite the following examples, having already mentioned his specific request not to gather information of a military nature on Spain:

We must not hire or solicit the cooperation of ex-Reds, dissident elements or ex-jailbirds. He instructed Elliot to dismiss one of his principal cut-outs - a man by the name of Louis Ibara. The Ambassador objected to Ibara on the grounds that he was an Iguirre Basque and an ex-prisoner of war. He said that all Basques are in some way or another attached to that "dangerous character",

wn 13059-6

President Aguirre. When the Ambassador made this request of me, I was obliged to tell him quite frankly that if we must refrain from recruiting dissident individuals, whether they be Basques, Reds, Free Catalans or Monarchists, that the only available group left for recruitment would be members of the Falangist party, which would be one sure and positive way of getting ourselves into trouble, and that I was interested in seeing that our men recruited workers and not stool pigeons.

We have a short wave radio sending and receiving set installed in Madrid. We have daily contact with Algiers. He has requested that we should only use this radio on an experimental basis. In other words, it is directed that we must not send any messages over the radio, that we must only test it to see that it is in good working order. In heaven's name, what good is the radio if we cannot use it . . . If we receive a message from Barcelona, for example, having to do with some spot information coming out of France that we know would be of vital interest to the Theatre Command in Algiers, we are not, according to his directive, permitted to despatch it. This is anything but an adult viewpoint.

Again, he instructs us that in other parts of Spain, where we have radios installed, these must be used solely to relay messages from the occupied zones; that is to say, any important happenings or developments within Spain itself, must not be sent over these communications.

Ever since the inception of our activities in Spain, the Ambassador has been under the impression that the information gathered by O.S.S. was not of use or benefit to the various departments in Washington utilizing the material disseminated to them. This opinion he adequately expresses in his cable #2671, and quite naturally, therefore, some of the difficulties and intermittent crises which we have had with him, from time to time, may be attributed to the fact that he has neither had directives nor encouragement from official Washington to assist us. What he has done on our behalf he has done on his own initiative and responsibility. This would not be a fair report if I did not take cognizance of and acknowledge the various facilities that have been provided by the Ambassador for the conduct of our activities in Spain. I requested* as far back as April 30th that every effort should be made on the part of the home office to obtain a proper kind of letter to be sent to the Ambassador from the Joint Chiefs of Staff, expressing their satisfaction with the information being obtained by the O.S.S. organization in Spain, and thanking him for the cooperation he had extended. Apparently, however, for adequate reasons which I am not aware of, my recommendation was not acted upon. As time went by, the Ambassador's natural hostility and critical viewpoint of O.S.S. became more and more pronounced.

*(My request was contained in a letter dated April 30 addressed to Mr. Mayer.)

WN 13059-7

Despite successive efforts on my part, and also on the part of Gregory Thomas (Argus), the Ambassador still fails to realize the nature and duties of an intelligence organization. He clings to the opinion that O.S.S. in Spain is part of the Embassy. He does not understand that O.S.S. is merely using the "cover" of the Embassy, and that its operations, type of personnel, and the duties of its representatives are entirely different from those engaged in by the State Department for Embassy and Consular work. If he would only recognize the principle that applies to intelligence work he would understand that those engaged in espionage are constantly and regularly violating the laws of the country in which they operate. These violations apply to every phase of intelligence work and include the financial field as well. To finance an intelligence organization in a neutral or enemy country, we must have access to "untraceable" funds. It is for this reason that our organization has been obliged to have access to what is known as black market pesetas. The present crisis with the Ambassador, as outlined in his cable message No. 2671, has been brought about by the arrest of two of our American representatives on a violation of a Spanish foreign exchange regulation. This arrest has further implicated Jack Pratt and myself, as well as Mrs. Flugler who was acting as my secretary.

If the Ambassador were a general on the field of battle, and his forces suffered casualties, I am sure that he would realize, as any soldier must, that battles and wars can only be won by sustaining casualties and the spilling of blood. So it is with the conduct of intelligence operations. We expect, as does the general in battle, to have casualties among our agents. We view arrests no differently than the spilling of blood on a battle field, to be regretted but not to be avoided. The alarm therefore which the Ambassador expresses in his latest cable message should receive the same consideration that a general would receive, who hoists the white flag at the first sign of blood. It is unbecoming of an American in the responsible and authoritative position which the American Ambassador in Spain holds to permit a sixth-rate, wobbly, about-to-be-replaced Spanish Government to scare him to the point where he requests that O.S.S. quit its activities in Spain. These are the days we are advancing on all fronts, not retreating. He fails to realize that what we are in is an all-out war, that we must use every means within our power to gather every available scrap of information on our enemies. No matter what nook or corner of the world they are in, we must at all times be informed about them. We must know their battle order, we must know their troop dispositions, we must know in detail their fortifications, we must know their bases, we must know their agents.

All of this is unimportant to the Ambassador, so long as what he believes to be his personal cordial relations with the Spanish Foreign Minister are permitted to continue unscathed and unembarrassed. Spain is a known and recognized Fascist country. It has long been a partner of the Axis. It has on its borders some tens of thousands of German soldiers. The southern extremities of Spain lie within 100 to 200 miles of our African supply lines. In the case of Gibraltar, only a few hundred yards. This flank should not

W.W. 13059-8

be permitted to remain exposed without having it covered by an adequate intelligence organization.

The Ambassador has taken it upon himself to veto instructions issued to the field organization of O.S.S. He has taken it upon himself to remove (and keep) from a pouch, a report coming to us from a Catalan organization in Barcelona, simply because he personally does not approve of our contacts with dissident groups.

I maintain that the Ambassador, unless authorized to do so by the President, has no right to interfere with the collection of information and the operations of our organization in Spain. We are happy and more than willing to provide the interested officials of the Embassy with the information which is gathered by us, be it political, economic or military. Shortly after my arrival in Madrid, I invited Colonel Hohenthal, the Military Attaché, to pay us frequent visits to look over and offer suggestions on the military information as it was being received by us. This cooperative effort and suggestion on my part was embodied in a cable despatch sent by the Ambassador to the State Department. No response was ever received. Yet one of the Ambassador's complaints is that he feels that he has not been adequately informed. While the information which was gathered by us was not routed to him, he nevertheless had access to it by merely requesting it. In fact, items of a political and military nature of special interest were routed to him for his information. He was also given the paraphrase of every cable message which we ever sent from Madrid. He has not, however, been kept informed, and rightly so, on the details of our operations, that is to say, the ways and means by which we gather our information. This is an organizational matter, quite out of the province of the Embassy. His interest should be limited to the information collected and not how it is obtained.

In July, in an effort to meet some of the objections of the Embassy in conjunction with the Oil Control program, certain concessions were made to the State Department that would enable the Oil Control observers in Spain, who also devote part time to O.S.S. work, to spend even more time on their oil work. This agreement was welcomed by the Ambassador as being a constructive step forward in eliminating some of the objectionable features of the oil observers acting in a dual capacity. This satisfaction was expressed in a cable which the Ambassador despatched to the State Department, No. A-406, August 21, 1943.

The arrival of Gregory Thomas was also calculated to give to the Ambassador a representative with whom he could deal on a fresh and understanding basis. Thomas, in meeting some of the objections of the Ambassador on the operations of O.S.S., agreed on August 24th to eight specific points, in an effort to further please the Ambassador.

The visit of Colonel Rehm (our financial officer) was likewise expected to produce a reassuring note on the charge that O.S.S. expenditures in the conduct of their activities in Spain were excessive.

According to a report from Thomas, dated September 14th, referring to the attitude of the Ambassador, he writes:

"When recommending steps to be taken in the future, he (the Ambassador) indicated his desire to fortify our organization, rather than destroy it."

Within a few days of this comment to Thomas, the Ambassador despatched his cable No. 2671 in which he recommended the cessation of O.S.S. activities in Spain. Thomas and Col. Ramm, I am sure are not aware that the Ambassador has recommended to the State Department that O.S.S. cease its activities in Spain, and yet at the very time that his cable was being sent from Madrid they were in friendly conversations about the future of O.S.S. in Spain. Such tactics have characterized the Ambassador's actions against us from the very beginning of our representation in Spain. He certainly has been anything but direct with those of us who have had to deal with him.

It seems rather obvious to me that the Ambassador, because of the recent arrests of Schoonmaker and Quesada, has seized this opportunity of recommending the withdrawal of O.S.S. from Spain. His scheming in this direction may be illustrated by his cable No. 2596 of September 14th to the State Department, an excerpt from which I quote the following:

"Pratt and Ryan were both interested in the exchange transaction involving Quesada and Schoonmaker and in view of the fact the Spaniard who handled the matter at Pratt's request is said to have made a complete confession, I also wish to request that Pratt be recalled. Likewise the Department should not permit Ryan to return to Spain or Portugal."

While this financial deal appears to be a sensational development to those who are uninformed, it was in no sense an irregular method in the acquiring of black-market pesetas.

I call particular attention to the fact that he does not wish me to return even to Portugal. It seems to me the reason for this might well be that he realizes that from Lisbon I would be in position to continue to conduct intelligence operations in Spain. It seems apparent that the Ambassador simply does not want intelligence activity going on under his mission. If he does, then it must be conducted in such a mild and painless fashion that he will not have any concern about "embarrassments". Perhaps his attitude may be explained by the fact that he is an extremely pious and devout religious man, and suffers personal distress when facing the Spanish Foreign Office, knowing that illegal activities are being conducted by Americans attached to the Embassy.

The time to endeavor to send other O.S.S. representatives to Spain, more pleasing to the Ambassador, has passed. He has shown that he cannot be placated by proper choice of personnel. The personnel representing O.S.S. in Spain, however, have demonstrated that they have obtained information which has received highly satisfactory evaluations by the M.I.T. as well as the C.N.I.

W.W. 13059-10

Information on subjects other than military has also been received with satisfaction by other interested departments here in Washington to whom it has been made available.

In addition to the value of the current information being reported by OSS from Spain, it is of prime importance that a solid foundation be laid for the continuation of an American intelligence organization in the months and even years that lie ahead in a Europe that will seethe with intrigue.

This whole matter, therefore, resolves itself into a simple query. Is it the wish of the Joint Chiefs of Staff that our Spanish Organization be continued? If it is, then it would seem necessary that steps be taken to instruct the Ambassador in a direct forthright statement that the continuation of our activities is of importance and that he should lend every possible assistance to its proper functioning.

In conclusion, I wish to state that it is distressing to know that despite every effort that has been made over a period of a year and a half to placate the Ambassador, that he refuses to be placated. That in the critical war months that are ahead, when Germany is far from subdued, when France and other countries of Europe still remain unliberated, the Ambassador still wishes to obstruct our efforts in obtaining intelligence information.

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W.W 13059-11